

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (11/21):**

BUTTER: Grade AA closed at \$1.1975. The weekly average for Grade AA is \$1.2008 (-.0134).

CHEESE: Barrels closed at \$1.2150 and blocks at \$1.3600. The weekly average for barrels is \$1.2395 (-.0845) and blocks, \$1.3600 (-.0345).

BUTTER: Churning activity from coast to coast is often lighter than desired. Cream supplies are tight. Supplies of fresh butter are often short of needs with inventoried stocks being used to fill orders. In some instances, Thanksgiving fill-in orders are stronger than anticipated as some producers and handlers are scrambling to fill these requests. Favorable retail prices, coupled with feature activity, are clearing good volumes of butter through grocery stores. Many producers are pleased with how orders are coming in for the year end holidays.

CHEESE: The cheese market is unsettled to weak. Natural orders have improved for the holiday season though process items continue to struggle. With many packagers and processors closed an extra day or two next week, bulk cheese needs will be lighter. Current cheddar blocks are tight to adequate with specialties also generally tight. Aged cheddar, depending on age, is also limited for some months. Current cheese production is fairly steady with yields seasonally good. Little additional milk volumes are expected to be available for manufacturing during the holiday weekend.

FLUID MILK: Milk production is showing only slight gains or declines across the country. The milk flow in the Southeast appears to be showing the stadiest gains. The West is seeing milk production increase at slower than expected rates. Fluid milk supplies are rated as very tight east of the Rockies; adequate to long farther west. Milk is available in the Southwest and some is moving great distances to fill needs. Typical for a pre-Thanksgiving week, bottled milk demand is very good, which is pulling milk away from manufacturing plants. The lack of surplus milk is most noticeable in the East and Central States. The fluid cream market is very firm. Demand is excellent and prices have jumped significantly from last week. Nationally, producers, users, and traders report that cream supplies are short. Some orders went unfilled this week.

DRY PRODUCTS: The NDM market is firm, but there are instances where prices were reported lower this week. Production levels are light and producer stocks are tight in the East and Central regions. In the West, NDM supplies range from snug to adequate. With some long-term government NDM contracts and DEIP sales nearly complete, there is some concern that CCC will be making heavier purchases in the not-too-distant future. The dry whey market is little changed. Production of dry whey in the East is very light and the market is firm. Output and offerings in the Central and Western regions are mixed and supplies are occasionally more available. Demand is mixed,

mostly fair. The WPC market remains firm and prices are moving higher. Demand is good and supplies are tight.

CCC: During the week of November 17 - 21, CCC purchased 8,582,166 net pounds of nonfortified NDM from the West.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for December 2003 is \$13.84, down 53 cents from November. This price is derived from the advanced Class III skim milk pricing factor of \$9.70 and the advanced butterfat pricing factor of \$1.2806 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for December is \$6.72 and the Class II nonfat solids price is \$0.7467 per pound. The following are the two-week product price averages: butter \$1.1822, nonfat dry milk \$0.8153, cheese \$1.5331, and dry whey \$0.1947.

OCTOBER MILK PRODUCTION (NASS): Milk production in the 20 major states during October totaled 12.0 billion pounds, down 0.2% from October 2002. September revised production, at 11.6 billion pounds, was down 5 million pounds from September 2002. The September revision represented an increase of 2 million pounds from last month's preliminary production estimate. Production per cow averaged 1,550 pounds for October, 11 pounds (0.7%) above October 2002. The number of cows on farms was 7.72 million head, 70,000 head (0.9%) less than October 2002, and 25,000 head less than September 2003.

OCTOBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During October, about 7.1 billion pounds of milk were received from producers. This volume of milk is 29.6% lower than the October 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -4.3%.) About 4.0 billion pounds of producer milk were used in Class I products, 0.8% lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilizations were; Class I = 57%, Class II = 16%, Class III = 16%, and Class IV = 11%. The weighted average statistical uniform price was \$14.81, \$0.35 higher than last month, and \$3.10 higher than last year.

COLD STORAGE (NASS): During October, U.S. cold storage holdings of butter totaled 161.9 million pounds, 21.9% less than a month ago and 1.7% less than last October. Natural American cheese holdings total 488.6 million pounds, 5.4% less than a month ago and 2.6% below a year ago. Nonfat dry milk holdings at the end of September total 1.2 billion pounds, 36 million pounds less than last month and 99 million pounds less than last October. The government holds 94.1% of the total nonfat holdings.

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY NOVEMBER 17	TUESDAY NOVEMBER 18	WEDNESDAY NOVEMBER 19	THURSDAY NOVEMBER 20	FRIDAY NOVEMBER 21	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2950 (+.0100)	\$1.2475 (-.0475)	\$1.2200 (-.0275)	\$1.2200 (N.C.)	\$1.2150 (-.0050)	(-.0700)	\$1.2395 (-.0845)
40# BLOCKS	\$1.3600 (N.C.)	\$1.3600 (N.C.)	\$1.3600 (N.C.)	\$1.3600 (N.C.)	\$1.3600 (N.C.)	(N.C.)	\$1.3600 (-.0345)
BUTTER GRADE AA	\$1.1950 (-.0300)	----	\$1.2100 (+.0150)	----	\$1.1975 (-.0125)	(-.0275)	\$1.2008 (-.0134)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.) NOTE: THE CME WILL BE CLOSED THURSDAY & FRIDAY, 11/27-28/03.

CHICAGO MERCANTILE EXCHANGE

MONDAY, NOVEMBER 17, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2950; OFFERS UNCOVERED: NONE

BUTTER — SALES: 11 CARS GRADE AA: 1 @ \$1.2075, 5 @ \$1.2000, 1 @ \$1.1950, 1 @ \$1.1975, 1 @ \$1.1950, 1 @ \$1.1975, 1 @ \$1.1950; BIDS UNFILLED: 4 CARS GRADE AA: 2 @ \$1.1925, 2 @ \$1.1900; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.2100, 1 @ \$1.2150

TUESDAY, NOVEMBER 18, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.2475, 2 @ \$1.2950

WEDNESDAY, NOVEMBER 19, 2003

CHEESE — SALES: 2 CARS BARRELS @ \$1.2200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2475

BUTTER — SALES: 22 CARS GRADE AA: 2 @ \$1.2000, 1 @ \$1.2025, 2 @ \$1.2050, 4 @ \$1.2075, 6 @ \$1.2100, 6 @ \$1.2125, 1 @ \$1.2100; BIDS UNFILLED: 22 CARS GRADE AA: 1 @ \$1.2100, 4 @ \$1.2075, 2 @ \$1.2025, 4 @ \$1.2000, 4 @ \$1.1950, 7 @ \$1.1900; OFFERS UNCOVERED: NONE

THURSDAY, NOVEMBER 20, 2003

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.3600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2200

FRIDAY, NOVEMBER 21, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.3600; OFFERS UNCOVERED: 5 CARS BARRELS: 1 @ \$1.2150, 4 @ \$1.2200

BUTTER — SALES: 114 CARS GRADE AA: 6 @ \$1.2150, 11 @ \$1.2175, 12 @ \$1.2150, 31 @ \$1.2175, 1 @ \$1.2200, 4 @ \$1.2175, 1 @ \$1.2150, 2 @ \$1.2175, 9 @ \$1.2150, 6 @ \$1.2125, 2 @ \$1.2100, 4 @ \$1.2050, 5 @ \$1.2025, 1 @ \$1.2050, 1 @ \$1.2000, 1 @ \$1.2025, 6 @ \$1.2000, 1 @ \$1.1950, 2 @ \$1.1975, 1 @ \$1.1950, 1 @ \$1.1975, 1 @ \$1.1950, 1 @ \$1.1975, 1 @ \$1.1950, 1 @ \$1.1975, 1 @ \$1.1950, 1 @ \$1.1975; BIDS UNFILLED: 9 CARS GRADE AA: 3 @ \$1.1950, 4 @ \$1.1925, 2 @ \$1.1900; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NORTHEAST**

The market tone is mixed. After increasing for five straight sessions, the cash price for butter at the CME declined three cents on Monday (11/17). Of the eleven sales, six were based on offers which started below the previous close. This is the first time in nearly two months that a session began with a significant number of loads offered below the old market. This could signal a supplier's desire to clear pre-December 1 inventories, a slower demand, or that traders wanted to move butter above \$1.20 while they could. Production levels are limited. According to some suppliers, offerings of cream are extremely tight. Fresh butter stocks remain tight. Holiday print butter needs are easing as Thanksgiving needs have been filled and anticipated year-end holiday orders are partially run. Micro-fixing continues to fill a good portion of packaged butter needs. Demand for butter remains fair to good. Retail sales are improving as the holiday nears and features are beginning and should give sales a boost. Food service orders are a little more common. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 7.5 cents over the CME price/average.

CENTRAL

The cash butter trading level at the CME dipped 3 cents early in the week, although recovering one half that loss at midweek, back to \$1.2100. After Monday's trading, some questioned if holiday orders were over thus the cash price was making its' seasonal adjustment. At midweek, the firmness basically dissolved any of these thoughts. Churning activity at many Central butter operations is lighter than desired. Cream supplies for churning are limited and prices of available cream are too high. Fresh butter stocks are often lighter than needed thus inventoried stocks are being used to fill orders. At this point, butter inventories are nearly at the level of last year at this time. Many producers and handlers indicate that orders remain

stronger than projected. Some are finding that fill in orders for Thanksgiving are heavier than anticipated and, in instances, are having to scramble to fill these requests. Favorable retail prices, coupled with feature activity, are clearing large volumes of butter through grocery stores. Food service and restaurant orders remain strong. Bulk butter for spot sale is limited, although when available are being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Cash butter prices at the CME had increased 4 cents over five trading sessions, but lost three cents in one session on November 17 only to gain back 1 1/2 cents on the 19th. Also, the trading activity was different than has been seen for quite a while. Many of the sales were based on offers that were lower in price than the previous sale. Cream supplies remain tight and churning is limited. There may not be quite the aggressiveness in searching for cream this week compared to the last few weeks. Stocks of butter are generally in position for the Thanksgiving holiday next week. Contacts are satisfied with the expected butter movement next week. They are also generally pleased with how orders are coming in for the year end holidays. Retail store feature activity is rated as good. Food service orders are improving seasonally. CME weekly warehouse stocks declined by an adjusted 11.0 million pounds this past week and now stand at 85.6 million pounds. This total is within 80,000 pounds of the same week last year. At this year's peak, stocks were about 59 million pounds ahead of last year. In the last ten weeks, stocks have declined by 78.7 million pounds. The weekly average decline over that period was 7.9 million pounds compared to 4.9 million pounds per week for the previous year. Current prices for bulk butter range from flat market to 4 cents under the market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
NOVEMBER 15	1,5204	1,4701	0.8192	1.1929	0.1937
	8,020,710	11,275,379	19,918,425	2,145,323	10,677,407

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices, for the third straight week, are lower on natural and process items, unchanged on Swiss. The market tone is weak, despite seasonally improving sales. Cheese production remains light in the East. Many producers do not want to make too much cheese on a falling market. With surplus milk volumes as tight as they are, the decision to reduce cheese output is an involuntary one. Producers of specialty or traditional holiday cheese are aggressively looking for more milk. Cheese supplies are adequate to meet needs. Demand is fair to good and often improving as gift pack items are already being assembled for holiday shipment. Interest in aged cheddar is improving seasonally and supplies are fully adequate. Retail demand is fair to good and food service orders are picking up for next week's holiday.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4600-1.9650
Cheddar Single Daisies	:	1.4175-1.8825
Cheddar 40# Block	:	1.5350-1.7825
Process 5# Loaf	:	1.5350-1.7325
Process 5# Sliced	:	1.5550-1.8000
Muenster	:	1.6325-1.8250
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is unsettled to weak. Price declines at the Chicago Mercantile Exchange and, for operations with the option, advantageous federal milk order pricing has shifted additional milk volumes from cheese production over to butter/cream/powder production. Most natural varieties are about in balance with demand. Buyers looking for extra loads of natural have found that plants have minimal inventory of regular varieties and need to order specialties such as pepper jack. Some cutting/shredding operations have needed extended schedules and/or weekends to fill orders. Most cutters expect to operate only 3 - 4 days next week for the holiday. Bulk cheese needs will be lighter next week. Aged cheddar demand has improved with some buyers unable to secure some ages/color. Process orders continue to be insufficient to clear barrel, processing solids, and trim offerings. The growth in non-standardized process product offerings continues to reduce the cheese volume needed. Between Thanksgiving, vacations, and deer hunting in some states, delivery schedules, particularly long hauls, will be interrupted next week.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5050-1.9100
Brick And/Or Muenster 5#	:	1.9900-2.0575
Cheddar 40# Block	:	1.7525-2.1150
Monterey Jack 10#	:	2.0125-2.1600
Blue 5#	:	2.1525-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7000-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.1000-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
11/17/03	47,225	:	121,581
11/01/03	57,527	:	128,695
CHANGE	-10,302	:	-7,114
% CHANGE	-18	:	-6

WEST

Prices continue to decline at the CME cash cheese market. The major price decline has not really had any impact on Class III milk futures. In fact, since the cheese market broke (24 cents on blocks) in October, the futures average price for 2004 has increased slightly. Contacts are indicating that there is no real surplus of current block cheese in the West. In fact, some of those purchasing cheese at the CME may need it in the West. This is a different situation than noted in the past few years when Western cheese was more likely to have been offered at the Exchange. Buyers for Western cheese are in the market on a very regular basis since they have not had any real stocks of cheese since early in the year. Barrel cheese is not nearly as tight as blocks. Movement is fair, but offerings of under grade cheese are heavy and stocks are growing. Sales of current mozzarella cheese are improving seasonally, but there is a lot of stored mozzarella that is not moving well and may not be of the best quality. Current demand for Swiss cheese is excellent, but some producers are concerned about stocks of stored Swiss from earlier this year. Milk supplies are uneven in the region. Some plants are buying additional supplies of milk because of good sales activity, but others are selling some surplus loads. Milk production is generally not coming back as fast as most contacts had anticipated.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4725-1.7325
Cheddar 40# Block	:	1.5250-1.8750
Cheddar 10# Cuts	:	1.7050-1.9250
Monterey Jack 10#	:	1.7150-1.8750
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

FOREIGN

Prices are unchanged on imported styles; lower on domestic cheeses. The market tone is improving along seasonal patterns. Holiday needs typically mark improved sales of foreign type or imported cheeses. Stocks are mostly adequate to cover needs. Distributors are busier this week as retailers and restaurants order a little heavier for Thanksgiving week. Imports are about normal for this time of year. The continued strong Euro is also a factor in importers' decisions to buy more cheese.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

		NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
Roquefort	:	TFEWR	-0-
Blue	:	2.6400-3.7200	1.7550-3.2450*
Gorgonzola	:	3.6900-5.9400	2.2725-2.4900*
Parmesan (Italy)	:	TFEWR	3.1650-3.2550*
Romano (Italy)	:	2.1000-3.1500	-0-
Provolone (Italy)	:	3.4400-5.5000	1.7625-1.9900*
Romano (Cows Milk)	:	-0-	2.9525-5.1250*
Sardo Romano (Argentina)	:	2.8500-3.2900	-0-
Reggiano (Argentina)	:	2.6900-3.2900	-0-
Jarlsberg-(Brand)	:	2.7500-3.7900	-0-
Swiss Cuts Switzerland	:	-0-	2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500	-0-
Swiss Cuts Austrian	:	TFEWR	-0-
Edam	:	:	:
2 Pound	:	TFEWR	-0-
4 Pound	:	2.1900-3.2500	-0-
Gouda, Large	:	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	159	0	136	0	132	0
SOUTHEAST STATES	0	0	0	0	0	0

EDITOR'S NOTE: Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

Regional Milk Market Administrators announced the following, October 2003 uniform prices: Northeast \$15.21, Mideast \$14.25, Southeast \$16.07, Florida \$17.67, and Western New York (a state order) \$14.78 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During October, milk production in the 20 major states totaled 12.0 billion pounds, down 0.2% from October 2002. The following are the October-to-October changes for selected states: Texas +7.6%, Vermont -2.3%, New York -3.6%, Florida -7.4%, Pennsylvania -7.5%, Kentucky -8.1% and Virginia -10.0%. Milk production is mostly steady in most of the Northeast; steady to higher in the Southeast. Heavy rains are covering much of the region and some flooding is causing scattered transportation problems. Fluid milk supplies are very tight in the East. Contacts report even tighter supplies this week as bottlers increase production runs to fill next week's anticipated needs. If history shows us anything, these same bottlers will be canceling loads early next week since schools will be closed. However, many bottlers will move their "down day" to the holiday and then start refilling pipelines on Friday. Florida's need for milk increased this week as bottlers increased orders and more "winter residents" are arriving. The current, improved demand for Class I milk is pulling more milk from Class III & IV plants where the tight milk supply is really being felt. Many operations have cut back on their already reduced operating schedules. Contacts are coping as best they can and milk is moving greater distances. The condensed skim market tone is little changed and prices are steady. Supplies are tight and few spot sales are reported. The fluid cream market is very firm. Contacts continue to report a shortage of cream all across the country. Plants in regions that typically supply cream to all regions are now looking to buy cream. Spot prices are jumping as both last week's CME average butter price and multiples have increased sharply in the past week and a half. (This past Monday's close on AA butter at the CME surprised many cream contacts when it dipped three cents.) Demand for cream is seasonally very good and some accounts are not getting all they desire. Production of bottled cream, egg nog, sour cream, dip, and cream cheese are quite heavy. Ice cream output is also holding above anticipated levels. Churning activity is limited.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6756-1.8820
DELIVERED EQUIVALENT ATLANTA	-	1.7242-1.8942 M 1.7606-1.8577
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6392-1.6999

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- 1.2000-1.3000

M I D W E S T

Class I use is very good as bottlers prepare for the holidays. At least for a couple bottlers in the region, this week has traditionally been one of the biggest volume weeks of the year. Most milk sales seemed to head toward bottlers rather than manufacturers. Production of holiday items including eggnog, whipped cream, and dips was active. Handlers are also setting up deals to divert or sell extra milk and cream over the long Thanksgiving holiday weekend. Most handlers expect fluid demand to slow significantly on Tuesday and Wednesday next week (Nov. 25 - 26). Contractual milk shipments continue into the Southeast. Reported spot manufacturing milk prices seem little changed on a light test, \$1.25 - 1.75 net over class. Cream supplies are very tight and at least a few plants were unable to secure desired volumes this week, despite searching both East and West. Milk intakes seem to be doing little of the usual rebound, seemingly later than normal. Deer hunting seasons in various states are also affecting some plant and milking schedules. Late season harvest, bedding (corn stalks), and tillage operations continue where wet fields allow. The initial October estimated milk production

in selected Midwestern states compared with October 2002 is: Wisconsin, 1.813 billion pounds, up 25 million pounds (1.4%); Minnesota, 663 million pounds, down 4 million pounds (-0.6%); Michigan, 502 million pounds, up 7 million pounds (1.4%); and Iowa, 301 million pounds, off 7 million pounds (-2.3%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	NOV 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 53.00	\$ 32.00- 40.00
REPLACEMENT HEIFER CALVES	\$350.00-530.00	\$230.00-420.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	NOV 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 58.00	\$ 30.50- 43.50

W E S T

October milk production in the 20 surveyed states totals 11.97 billion pounds, down 0.2% from a year ago. Production per cow was up 0.7% while cow numbers are down 70,000 head or 0.9% from last year. Cow numbers declined 25,000 head from September, the largest monthly decline since 1993. The herd for these states is now the same size as it was in the spring of 1999. October output in the Western region compared to last year is as follows: Arizona +2.3%, California -0.6%, Idaho +9.3%, New Mexico +3.9%, and Washington -0.4%. Of note, is that production per cow in California remains negative at -2.8%. Contacts are wondering if there is much chance that this will recover much this winter. CALIFORNIA milk production is mostly steady to slightly higher. There are concerns that the cows are not responding well to better weather conditions and feed. The hot weather this summer is the major reason cited for cows not rebounding this fall. In southern California, the rains of last week only slightly impacted local farms. Conditions are cooler and dryer this week. The grocery clerk strike in the area continues to impact dairy product sales. Orders ahead of the holiday are less predictable and more sporadic than normal. The total volume of dairy product sales is expected to be good, but certain brands are not moving because of the strike. Bottling milk orders are good and expected to be heavy through early next week. Retail pack interest is higher, but school milk orders are limited for next week. Milk production is mostly steady in the Central Valley. Weather conditions are seasonal which would normally be good for milk growth. Processor gains are often through adding new producers. Slight increases in milk solids are appearing. Feed supplies are adequate in the area. Milk output in the North is also mainly steady with recent weeks. Levels are noted to be slightly less than last year and below projections. ARIZONA milk supplies are slowly inching higher at a slower than expected pace. Recent rains and lingering effects of past heat are factors. Plants have ample capacity to handle additional milk over the holiday. Fluid milk orders are increasing ahead of the holiday. NEW MEXICO milk supplies are increasing seasonally. Expansions and new dairies are helping the state's volume grow. Surplus milk is being shipped to other areas to process. Plants are expected to run normally over the holiday week. The CME butter price continues the recent trend of gyrating during the week but having only minor weekly changes. The price closed at \$1.2100 on 11/19, down \$.0050 from a week earlier. Western CREAM supplies are very tight this week. Cream-based holiday items are being made in earnest and butter churners need all their cream to meet good butter orders. Higher cream multiples and in state (California) overages are being paid. Western cream multiples range from 115 to 132, FOB, depending on class usage and basing point. Heavy rains have again hit coastal areas of the PACIFIC NORTHWEST. Flooding and mud slides were common. The area hardest hit was where the major rain fell in October so that the ground was saturated before the latest deluge. Transportation routes were disrupted for short periods of time. No reports of any real problems at the farm level are noted. As temperatures cooled, the snow line did come down and the Cascades did get good volumes of snow. Milk production levels are mixed with feed quality being noted as the main reason for higher or lower output. No problems are anticipated in handling surplus next week over the holiday. In fact, a number of manufacturing operations are looking forward to additional volumes to process. Culling rates are slowing as the bottom end animals are gone and replacement heifer prices remain high. Hay movement is increasing with many producers stating that they intend to increase the amount of hay in their rations. Some cheese plants in UTAH and IDAHO continue to buy outside milk supplies to supplement their own receipts. Milk production is slow in coming up seasonally. Producers are happy to see the rain fall that they are getting before the ground freezes. The mountains above Salt Lake City are reporting snow falls in the 80-90 inch range. Last year, it was towards the end of winter before these types of totals were noted.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a steady market. Production is mixed. Some locations are diverting milk away from cheese, encouraging higher NDM production. At other locations, Class I demand is strong, diverting milk away from NDM facilities. Supplies of resale NDM from the CCC cheese exchange are less available than the week prior. However, some new production is being generated at locations that have not had spot loads for a number of months, encouraging reduced prices. Spot interest of low heat is fair to good with inquiries predominantly expressed by brokers. High heat supplies are tight with most movement occurring on a contractual basis.

EAST: Prices are unchanged and the market tone remains firm. Drying schedules remain very light as most drying facilities' milk receipts are well below typical levels. There is good demand for Class I milk, which is pulling more milk away from manufacturing. Drying schedules are limited to an occasional run and those are often for high heat. Most producers are hoping that some additional milk volumes show up during Thanksgiving week. Demand for NDM is steady and spot needs are often filled with powder that came out of government storage, either through exchange programs or straight purchases. Stocks at the plant level are almost non-existent.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8100 - .8800 MOSTLY: .8425 - .8600
 HIGHHEAT: .8650 - .9450

NONFAT DRY MILK - WEST

Prices are lower on the bottom of the range, but most low/medium heat nonfat dry milk prices are unchanged. The market tone is steady, but some instances of unsettledness are noted. Several producers have filled contracts for NDM sales to the CCC and past DEIP orders are being finished. Contacts are looking for an announcement on additional DEIP allocations. Drying schedules are moving slightly higher. Usage of NDM in cheese production seems to have only declined marginally. Spot NDM availability from producers in the region is still tight, but expected to ease in the near term. No problems are expected handling any additional milk needing to be balanced over the Thanksgiving holiday weekend. During the week of November 10 - 14, CCC net purchases totaled 6.1 million pounds of NDM from the West. Western high heat prices are steady. Availability is tight with several producers having no spots to offer. Others are behind on orders. Demand is seasonally better. Inventories are mostly limited.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8825 MOSTLY: .8000 - .8150
 HIGHHEAT: .8350 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
November 14	\$.8103	10,704,391	1,889,144
November 7	\$.8059	9,338,611	1,522,152

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a firm market. Churn activity is mostly steady as cream is diverted to seasonal holiday products instead of butter. As a result, the flow of condensed buttermilk produced is mostly unchanged with end-user supply intakes of condensed buttermilk reported as steady to slightly lower. A few truckloads of dry buttermilk traded during the week. Supplies are most available in quantities of a few bags or palates. Producers that pre-sold anticipated supplies of dry buttermilk are finding that they are unable to meet their commitments. Supplies may increase after the Thanksgiving holiday or not until the beginning of the New Year.

F.O.B. CENTRAL: .9350 - 1.0200

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged to higher and Northeastern prices are nominal. The market tone though firm has few truckload spot trades from the producer. Churning activity has decline significantly as cream volumes in the East have all but dried up. Demand is steady and often unsatisfied. Reports of LTL deliveries are more common, but even these are few and far between.

F.O.B. NORTHEAST: .8400 - .8500
 DELVDSOUTHEAST: .8800 - .9000

DRY BUTTERMILK - WEST

Western dry buttermilk prices are holding mostly steady in a lightly tested market. There are few additional spot offerings available as producers fill past contract orders. Butter churning is heavy ahead of the holidays, but not resulting in spare loads. Demand is fair to good seasonally. Buyers often have looked to other ingredients to supplement shortages of dry buttermilk. Stocks are light and committed.

F.O.B. WEST: .8500 - .8800 MOSTLY: .8500 - .8600

DRY WHOLE MILK - NATIONAL

Prices are unchanged to higher and nominal. The market tone is steady. Production levels are generally light with little being made where surplus milk volumes are the tightest. Demand is fair to occasionally good. Reports indicate that there is some export interest, but little information was available. Producer stocks remain light.

F.O.B. PRODUCING PLANT: 1.0650 - 1.2200

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 TO DATE
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 22,733 MT (50,117,171 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:
 NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are mixed on a mostly steady market. While some plants are limited on supplies and offering at higher prices, other locations are offering at the average to lower for the light interest. Some traders are unable to compete with aged supplies that are being delivered to end-users at prices near the average. Buyers and sellers are negotiating stocks for end of the year accounting practices. Contracts for 2004 are reportedly in full swing with increased activity compared to last year. Production is steady to somewhat lower as milk intakes at some cheese plants are reduced.

F.O.B. CENTRAL: .1900 - .2150 MOSTLY: .1975 - .2025

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices moved higher and the market tone is unchanged at firm levels. Eastern cheese and dry whey output continue to lag as surplus milk supplies are even tighter than they were a week ago. Producers report that supplies range from tight to sold out. The continued lag in drying is putting many makers further behind in contract deliveries. Those occasional spot loads that may become available are generally offered to regular accounts. Traders comment that most spot needs are being filled via the resale market and stocks there are becoming more difficult to locate. More traders are looking to Western producers to find supplemental loads. Demand is about steady.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2050 - .2225
DELVD SOUTHEAST: .2250 - .2500

DRY WHEY - WEST

Western whey powder range prices ranged from steady to fractionally higher. The mostly price series moved both fractionally higher and lower. The divergence noted in the market last week is continuing. In general, the domestic market seems to be more aggressive than export activity at this time. The Central market is in close balance and the East is extremely tight on available whey supplies. Those that have to have powder are going further west to find it. Some export sales are being hurt by the higher priced offerings and the calendar. Regularly scheduled shipments seem to be OK, but new business is slower to develop. Stock levels at Western production plants are mixed. Some are in great shape, but others are building inventories at a faster rate than desired. Whey production levels are not up to seasonal expectations at many operations.

NONHYGROSCOPIC: .1700 - .2175 MOSTLY: .1800 - .2100

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to higher and nominal. The market is mostly steady. More aged supplies are being offered on the market for the fair to good interest. Current production of milk replacer product is light with limited offerings. Veal prices are trending lower as more frozen Canadian product crosses the border. Early weaned pig prices are steady.

F.O.B. CENTRAL:
MILK REPLACER: .1850 - .1950

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Supplies of WPC 34% are tight for the good interest. As some WPC 80% prices increase, feed buyers are becoming more averse to WPC 80% and seeking WPC 34% supplies, especially in light of higher whey prices. Some plants that have the option of producing 34% or 80%, continue to produce WPC 34% due to the good interest. Production is mostly steady. Off grade supplies are available at prices that vary with the quality for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .5200 - .5775 MOSTLY: .5475 - .5675

LACTOSE - CENTRAL AND WEST

Prices continue unchanged on a firm market. Supplies remain tight. Buyers seeking additional loads to their contracts are having difficulty in securing supplies. Some producers are not looking to gain any additional premiums on 2004 contracts while others are offering higher to not only gain better profit but also discern that their supplies will indeed be tight in 2004. Australian supplies are reportedly competitive with US lactose in Asia. Traders are unsure as to why Australia would market lactose to Asia and not New Zealand. Production is steady with some plants running behind on their orders. Interest is best from brokers, infant formula and candy operations.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1950 - .2650 MOSTLY: .2050 - .2200

CASEIN - NATIONAL

Casein markets remain firm. Stocks are reported to be in close balance, although most domestic buyers are getting their contracted volumes. Additional or spot needs are difficult to locate. Many supplier indicate that they will be working closely with their customers to facilitate contractual commitments. The Kansas City Commodity Office announced that under invitation #011, two contract awards totaling 904,734 pounds of government owned nonfat dry milk were sold back to the trade at \$0.22 per pound for the production of casein/caseinate. Since June 2002, nearly 7.4 million pounds of powder have been sold back for this purpose.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.1000 - 2.2000
ACID: 2.0500 - 2.2500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels remain light. Surplus milk supplies are still very tight in most parts of the country. Retailers have "pulled" their Thanksgiving needs and many are now picking up loads for anticipated Christmas/New Year needs. Producer stocks are being reduced seasonally. The Kansas City Commodity office announced that no responsive offers were received to sell approximately 6,646,320 of evaporated milk under EVD-1, invitation 780. No further offers will be considered under invitation 780 and invitation 781 has been issued for the same volume and delivery months. Offers are due November 24.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	11/05	11/06	11/07	11/10	11/11	11/12	11/13	11/14	11/17	11/18
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
NOV 03	12.91 (5412) 772	13.22 (5639) 317	13.26 (5642) 75	13.28 (5853) 430	13.37 (5833) 250	13.36 (5851) 33	13.36 (5991) 259	13.40 (5983) 39	13.41 (6002) 22	13.41 (6002) 0
DEC 03	11.46 (3885) 392	11.70 (3782) 186	11.58 (3803) 151	11.59 (3866) 184	11.67 (3877) 290	11.60 (3975) 169	11.56 (3971) 108	11.53 (4004) 137	11.55 (4030) 101	11.45 (4002) 188
JAN 04	11.55 (1806) 54	11.60 (1813) 35	11.52 (1836) 29	11.50 (1839) 6	11.50 (1871) 81	11.54 (1887) 63	11.57 (1911) 62	11.54 (1941) 53	11.53 (1959) 65	11.51 (2029) 138
FEB 04	11.29 (1583) 47	11.30 (1581) 5	11.25 (1590) 26	11.26 (1592) 7	11.27 (1609) 16	11.30 (1611) 40	11.32 (1639) 26	11.32 (1649) 34	11.32 (1656) 39	11.30 (1670) 66
MAR 04	11.25 (1377) 26	11.29 (1377) 2	11.29 (1405) 96	11.29 (1409) 8	11.29 (1425) 16	11.34 (1429) 43	11.34 (1459) 64	11.38 (1466) 15	11.38 (1478) 20	11.40 (1495) 29
APR 04	11.20 (1041) 10	11.22 (1041) 2	11.23 (1042) 26	11.26 (1043) 4	11.26 (1043) 1	11.30 (1044) 11	11.34 (1049) 20	11.35 (1038) 18	11.30 (1041) 13	11.30 (1066) 50
MAY 04	11.20 (920) 6	11.22 (920) 2	11.23 (988) 100	11.26 (995) 9	11.26 (995) 4	11.30 (999) 11	11.32 (1002) 18	11.35 (1004) 15	11.35 (1011) 15	11.35 (1017) 19
JUN 04	11.90 (788) 5	11.90 (789) 1	11.90 (814) 25	11.90 (823) 9	11.91 (824) 7	11.91 (826) 3	11.91 (836) 10	11.90 (837) 1	11.90 (837) 0	11.90 (853) 46
JUL 04	12.40 (622) 12	12.40 (622) 1	12.40 (646) 24	12.40 (656) 25	12.40 (660) 10	12.40 (662) 5	12.40 (664) 9	12.40 (665) 2	12.40 (666) 1	12.40 (676) 39
AUG 04	12.75 (601) 9	12.75 (606) 5	12.75 (630) 35	12.75 (642) 19	12.75 (646) 8	12.75 (648) 5	12.75 (650) 9	12.75 (651) 1	12.75 (651) 0	12.75 (663) 20
SEP 04	13.36 (727) 6	13.30 (730) 7	13.30 (755) 36	13.30 (771) 24	13.36 (775) 7	13.36 (779) 8	13.38 (782) 10	13.37 (783) 1	13.37 (786) 3	13.35 (792) 30
OCT 04	12.55 (442) 2	12.55 (443) 1	12.55 (468) 36	12.55 (479) 18	12.60 (483) 7	12.60 (484) 4	12.63 (486) 9	12.63 (488) 3	12.63 (488) 0	12.63 (507) 21
NOV 04	12.00 (333) 2	12.00 (332) 2	12.00 (344) 35	12.00 (357) 15	12.05 (361) 4	12.05 (364) 4	12.06 (371) 7	12.06 (371) 0	12.06 (371) 0	12.06 (372) 2
DEC 04	11.65 (317) 8	11.65 (317) 1	11.65 (328) 34	11.65 (339) 13	11.65 (339) 0	11.65 (344) 5	11.65 (353) 10	11.65 (353) 0	11.65 (353) 0	11.65 (353) 1
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
NOV 03	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0
DEC 03	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0
CME - BUTTER FUTURES -- Cents per pound										
DEC 03	117.00 (341) 14	117.50 (336) 14	118.52 (329) 7	120.00 (319) 10	119.00 (312) 9	121.50 (310) 6	121.50 (312) 6	121.75 (314) 6	120.00 (316) 12	119.00 (310) 58
MAR 04	129.00 (147) 3	129.00 (150) 10	131.00 (151) 1	132.00 (152) 5	132.00 (152) 1	133.00 (152) 0	133.00 (152) 1	133.00 (152) 0	133.00 (152) 0	133.00 (175) 31
MAY 04	133.00 (28) 0	133.00 (33) 5	134.00 (33) 0	134.00 (33) 0	134.25 (39) 8	135.00 (43) 4	135.00 (43) 0	135.00 (48) 5	135.00 (48) 0	135.00 (54) 10
JUL 04	135.00 (27) 8	134.50 (28) 1	136.00 (28) 0	136.00 (28) 0	136.25 (28) 0	136.25 (28) 0	136.25 (28) 0	136.25 (28) 0	136.25 (28) 0	136.25 (28) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered November 10 - 21, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: The major topic of conversation in Europe is the strength of the Euro against the U.S. dollar and its' affect on dairy product sales. At mid-week, the Euro was trading very close to 120 which is the highest the Euro has been since its' introduction. Some traders indicated that their financial contacts state that this is just the beginning of an even firmer Euro down the road. Traders indicate that it is very difficult to negotiate any type of sales with the recent strength of the Euro. Although international buyer interest is limited, some negotiations are occurring with buyers and sellers quite far apart. Stocks of dairy products in Europe are available should buyer interest improve. Russia continues to look for dairy products to supplement their stocks for the upcoming winter season. Dairy product sales had been good prior to the start of Ramadan, but subsequently have dropped off. With the end of Ramadan just a week or so away and the yearend holidays close at hand, many traders do not foresee much improvement in sales potential for 1 - 2 months. European trader and many dairy product handlers are closely monitoring developments in Oceania and are also questioning when will USDA announce its' next DEIP allocation. The recent late fall spurt in milk production in many areas of Europe has allowed lower than desired inventories to gain some volumes. This increase in milk volumes has many producers looking at their quotas and caused some to already strategize what they will need to do before March 31.

BUTTER/BUTTEROIL: European butter markets are steady to firm, with prices unchanged to higher. Buying interest is reported to be basically centered around internal or domestic needs, although butter/butterfat continues to clear to Russia. Some traders feel that this buyer interest will continue. Stocks of butter are sufficient for both domestic and Russian buyer interest, although not significant if other international buyers should return to the market.

82% BUTTERFAT: 1,600 - 1,700

99% BUTTERFAT: 1,750 - 2,000

SKIM MILK POWDER (SMP): Skim milk powder markets are generally holding steady at unchanged prices, although a firmer undertone prevails. A very firm Euro against the U.S. dollars is causing much difficulty for traders in negotiating sales. Although buyer interest is light, negotiations that are occurring between buyers and sellers are quite wide apart. Many European traders and handlers are closely monitoring world supply situations. Also many are questioning when will the USDA announce the next allocation under the DEIP program. Most feel that the DEIP allocations will be filled quickly with most product destined for Mexico.

1.25% BUTTERFAT: 1,780 - 1,850

WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices. Stocks of powder are sufficient for domestic and internal needs with additional volumes available for international buyer interest. Many producers and handlers are closely monitoring the Oceania milk production season and their supply/demand situation. Some feel that this region might need to locate additional volumes of product to fill some of their commitments if the second half of the milk production season is not as strong as anticipated.

26% BUTTERFAT: 1,900 - 2,000

SWEET WHEY POWDER: Whey powder markets and prices are firm. Most sales activity is around an internal or domestic animal feed market. Stocks are reported to be sufficient for this need. Cheese production is stronger than usual for this time of the season as additional, late season, milk volumes are available.

NONHYGROSCOPIC: 500 - 600

OVERVIEW: EASTERN EUROPE: Milk production continues to decline in Eastern Europe as the milking herd and dairy producers prepare for the upcoming winter season. Eastern European milk producers did not realize the spurt in milk production as did Western European producers, thus inventories of manufactured dairy products are not at levels of previous years. Many traders feel that they will not be as active in international sales in upcoming months as they have been in recent years.

OCEANIA

OVERVIEW: Milk production patterns in Oceania continue to follow seasonal trends for this time of the year. In New Zealand, milk output is basically at peak levels in most production areas. Milk handlers indicate that milk receipts are fluctuating slightly higher and lower at high levels, although many feel that this trend may be short lived and seasonal declines will be occurring soon. In Australia, milk output continues to build toward seasonal high levels, although production during the first three months of the current production year (July - September) was down 8.3% in comparison to last year. September output was down 10% on last year with Victoria production down 10% on a year to date basis. It appears that the seasonal peak in Australia may be slightly delayed from recent years and may be pushed into a December/January period versus about a month earlier in years past. Milk handlers state that it will take some time for Australian producers and the milking herd to regain what was lost last season. Herd health and conditioning, replenishment of lower moisture levels, and adequate feed and quality of that feed, are just a few of the factors that many Australian producers are working on. Most feel that it will take a few years to fully recover, with some indicating that it could take as long as 5 - 7 years. Many handlers and manufacturers of dairy products indicate that stocks are in close balance. In most instances, manufacturers state that they have very little, if any at all, available for spot or new buyer interest. Most are optimistic that the last half of the production season will be favorable, otherwise limited supplies at this time will only become tighter. Overall buying interest continues to center around regular and ongoing customer needs. At this point, if regular and ongoing customers are looking for additional volumes above and beyond regular needs, often this inquiry is going unfilled. No new buyer interest is being reported, although Oceania handlers also state most buyers are aware of the Oceania supply situation and are not even questioning possible sales activity.

BUTTER: Oceania butter markets remain generally steady, although prices are firm. Churning activity is seasonally strong as milk supplies continue to build in Australia and output in New Zealand is at seasonal high levels. Stocks of butter are reported to be limited for known commitments. In most instances, butter producers state that stocks are in close balance and generally committed to regular and ongoing customer needs.

82% BUTTERFAT: 1,450 - 1,575

CHEDDAR CHEESE: Cheese markets and prices remain firm. Cheese supplies are limited, as many producers are trying to direct as much milk as they can through the cheese vat. Demand is good and is centered around regular and ongoing customer needs. Many Oceania suppliers are negotiating with customers for their upcoming new year needs.

39% MAXIMUM MOISTURE: 2,050 - 2,150

SKIM MILK POWDER (SMP): Oceania skim milk powder markets are generally steady, although prices are firming within the reported range. Stocks of powder are in close balance for current needs. In most instances, producers indicate that their inventories are basically fully committed to regular customer needs. Many producers state that their stocks are adequate for known needs, but have minimal volumes left for spot or new buyer interest.

1.25% BUTTERFAT: 1,750 - 1,850

WHOLE MILK POWDER (WMP): Whole milk powder prices and markets are generally steady. Powder production in Oceania is seasonally strong as milk production gains momentum in Australia and is holding basically steady at seasonal high levels in New Zealand. Stocks of whole milk powder are tight with suppliers indicating that most all stocks are fully committed at this time. Powder producers are optimistic about the second half of the production season and are hopeful that the supply situation loosens up.

26% BUTTERFAT: 1,750 - 1,850

Exchange rates for selected foreign currencies: NOVEMBER 17, 2003

.7619 Canadian Dollar	.0220 Indian Rupee
.3487 Argentina Peso	.6266 New Zealand Dollar
.0897 Mexican Peso	.7117 Australian Dollar
.2571 Polish Zloty	.0092 Japanese Yen
	1.1755 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0897)= 11.1483.
That is 1 US Dollar equals 11.1483 Mexican Pesos.

Source: "Wall Street Journal"

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	SEP 30, 2001	SEP 30, 2002	REVISED SEP30, 2003	OCT 31, 2001	OCT 31, 2002	OCT 31, 2003
Butter	110,857	209,112	207,175	100,791	164,640	161,857
Cheese, Natural American	487,559	512,887	516,616	463,378	501,401	488,582
Cheese, Swiss	10,439	17,068	22,884	10,671	18,927	22,205
Cheese, Other Natural	210,732	223,979	232,091	198,185	200,064	209,158

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	331	1,873	10,172	344	1,844	11,084
Natural American Cheese	1,229	887	8,836	911	927	9,473

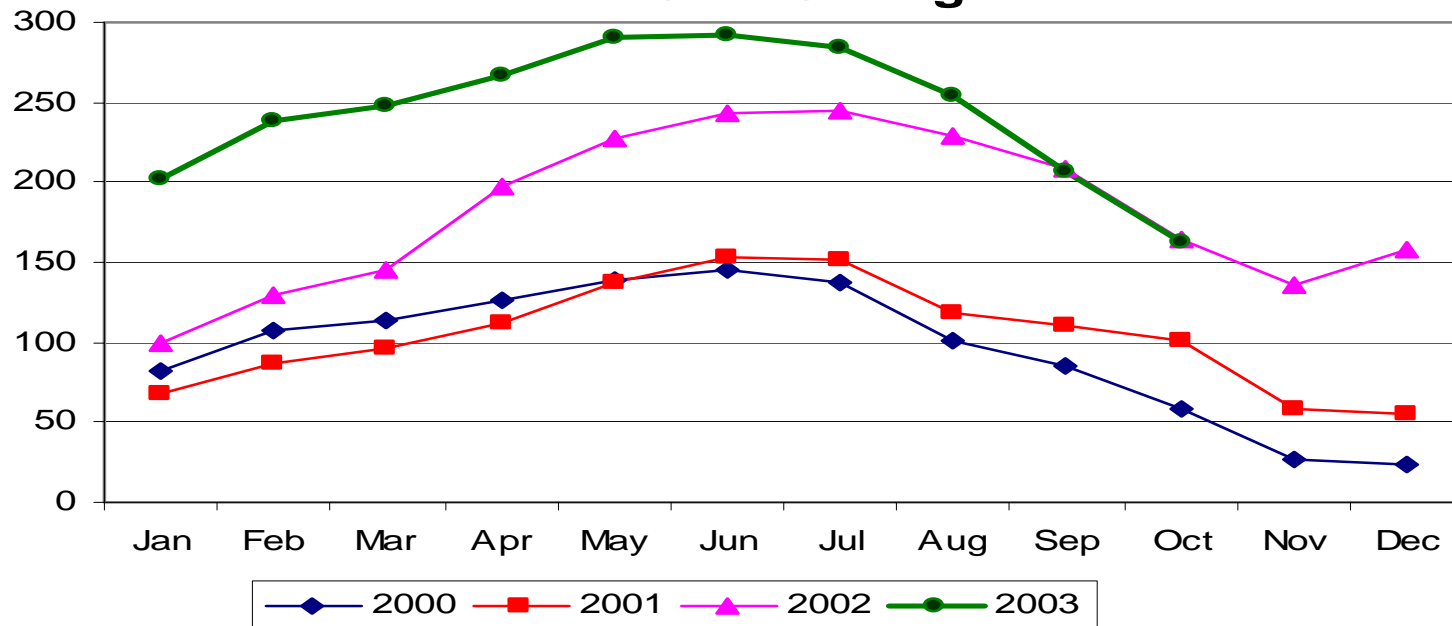
OCTOBER STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
New England	21,072	18,868	20,202	---	---	---	394	330	256
Middle Atlantic	58,417	64,575	48,263	---	---	---	34,981	29,375	14,417
East North Central	194,784	201,582	200,984	---	---	---	93,738	99,820	121,661
West North Central	88,490	114,266	107,978	---	---	---	55,373	57,979	53,102
South Atlantic	4,565	182	120	---	---	---	374	906	1,891
East South Central	272	576	188	---	---	---	151	251	2,205
West South Central	2,573	1,938	3,345	---	---	---	238	331	104
Mountain	11,305	8,295	16,050	---	---	---	5,738	791	3,581
Pacific	81,900	91,119	91,452	---	---	---	7,198	10,281	11,941
TOTAL	463,378	501,401	488,582	100,791	164,640	161,857	198,185	200,064	209,158

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

Million Pounds

Butter Cold Storage



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2002 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Million Pounds						Million Pounds						Million Pounds					
January	203	99	202	99	<u>3/</u>	<u>3/</u>	512	460	512	459	<u>3/</u>	1	1,147	900	112	120	1,036	780
February	238	130	237	129	1	1	538	491	538	490	<u>3/</u>	1	1,187	966	116	142	1,071	823
March	249	145	248	144	1	1	530	498	528	498	2	1	1,247	1,028	137	158	1,111	871
April	266	197	266	195	1	2	531	514	528	513	3	1	1,308	1,093	154	161	1,154	933
May	290	227	289	225	1	2	539	536	536	535	3	1	1,336	1,146	159	166	1,177	981
June	292	243	291	241	1	2	550	549	546	548	4	1	1,365	1,235	152	174	1,212	1,062
July	284	245	273	243	11	2	552	573	546	573	6	1	1,308	1,254	90	138	1,219	1,116
August	254	229	244	227	10	2	547	565	538	565	9	<u>3/</u>	1,245	1,327	75	109	1,170	1,218
September	207	209	197	207	10	2	517	513	508	512	9	1	1,209	1,308	70	85	1,138	1,223
October	162	165	151	163	11	2	489	501	479	500	9	1		1,279		79		1,200
November		136		135		1		474		474		<u>3/</u>		1,238		87		1,151
December		158		157		1		493		493		<u>3/</u>		1,148		101		1,047

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Sep 30, 2001	Sep 30, 2002	Sep 30, 2003	Oct 31, 2001	Oct 31, 2002	Oct 31, 2003
	Thousand Pounds					
Butter	110,526	207,239	197,003	100,447	162,796	150,773
Natural American Cheese	486,330	512,000	507,780	462,467	500,474	479,109

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

SOURCE: "Cold Storage," Co St 1 (11-03) and "Dairy Products," Da 2-6 (11-03), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

OCTOBER MILK PRODUCTION

Milk production in the 20 major States during October totaled 12.0 billion pounds, down 0.2 percent from October 2002. September revised production, at 11.6 billion pounds, was down 5 million pounds from September 2002. The September revision represented an increase of 2 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,550 pounds for October, 11 pounds above October 2002.

The number of cows on farms in the 20 major States was 7.72 million head, 70,000 head less than October 2002, and 25,000 head less than September 2003.

OCTOBER 2003 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2002	2003	2002	2003	2002	2003	% CHANGE FROM 2002
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	150	150	1,750	1,790	263	269	2.3
CA	1,664	1,702	1,760	1,710	2,929	2,910	-0.6
FL	147	140	1,110	1,080	163	151	-7.4
ID	391	413	1,760	1,820	688	752	9.3
IL	115	108	1,430	1,450	164	157	-4.3
IN	147	144	1,435	1,490	211	215	1.9
IA	208	198	1,480	1,520	308	301	-2.3
KY	120	110	1,025	1,025	123	113	-8.1
MI	300	297	1,650	1,690	495	502	1.4
MN	480	465	1,390	1,425	667	663	-0.6
MO	136	126	1,120	1,200	152	151	-0.7
NM	305	318	1,750	1,745	534	555	3.9
NY	676	665	1,485	1,455	1,004	968	-3.6
OH	262	259	1,410	1,420	369	368	-0.3
PA	591	562	1,495	1,455	884	818	-7.5
TX	310	311	1,350	1,450	419	451	7.6
VT	153	147	1,425	1,450	218	213	-2.3
VA	119	110	1,260	1,225	150	135	-10.0
WA	247	244	1,870	1,885	462	460	-0.4
WI	1,268	1,250	1,410	1,450	1,788	1,813	1.4
20 STATE TOTAL	7,789	7,719	1,539	1,550	11,991	11,965	-0.2

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (11-03), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

THE DAIRY SITUATION AND OUTLOOK

Cheese Prices Crumble

After holding steady for almost 3 months, Cheddar cheese prices (40-pound blocks) dropped about 24 cents per pound between late October and mid-November, with even larger decreases in barrel cheese prices. Sharp declines had been widely expected in light of the diversion of milk from butter-powder production into cheese, the somewhat erratic growth in cheese sales, and the only slight declines in milk output. Cheese prices actually proved relatively resilient by holding their summer increases until most of the holiday season supplies had been shipped.

Price declines, although large, have not been aggressive, as traders seem unsure about the price level for the rest of the holiday season. Much will depend on the size of late-season orders, as well as further developments in milk production and stocks. Prices may stabilize for a few more weeks but further decreases are expected by winter.

Supplies of milk for manufacturing slipped 3 percent during July-September. Milk production was down fractionally, and more milk apparently went into foods other than dairy products. The decline in total milk available and the expansion in production of other cheese were enough to hold down Cheddar cheese production, despite a large diversion from butter and nonfat dry milk. Cheddar production was just barely above a year earlier by September.

Commercial stocks of American cheese have been moderate. On October 1, industry holdings were still slightly below a year earlier. Although stocks of other varieties have run larger than a year ago, there was no significant downward pressure on prices due to stock buildup.

The economy grew rapidly during July-September, and consumer spending on food and other non-durables rose considerably. More recently, employment data have been generally favorable. However, there are no indications yet that the favorable economic conditions have translated into substantial recovery in cheese demand. Summer sales of American cheese were a bit below the highly erratic levels of a year earlier, while use of other varieties rose only 3 percent. Restaurant sales continue to struggle, and consumers seem to remain cautious in their purchases.

Winter cheese prices are expected to average more than a dime higher than the very low levels of a year earlier. Cheese demand probably will recover further, and milk production is projected to be only slightly larger on a daily average basis. Also, markets for other dairy products probably will be in considerably better balance than a year earlier. Even so, price improvement probably will be relatively limited. Although most market factors are expected to support stronger prices, the changes are not projected to be very dramatic.

DAIRY FORECASTS (Calendar year basis)

	2002	2003		2004			
	ANNUAL	IV	ANNUAL	I	II	III	ANNUAL
Milk cows (thous.)	9,141	9,040	9,095	8,990	8,960	8,930	8,945
Milk per cow (pounds)	18,573	4,615	18,700	4,835	4,940	4,695	19,195
Milk production (bil. pounds)	169.8	41.7	170.1	43.5	44.3	41.9	171.7
Commercial use (bil. pounds)							
milkfat basis	170.5	44.7	173.6	42.5	44.2	45.3	177.2
skim solids basis	163.6	42.4	165.5	41.1	42.2	43.8	170.3
Net removals (bil. Pounds)							
milkfat basis	0.3	0.1	1.2	0.1	0.2	0.1	0.4
skim solids basis	9.8	0.8	8.6	2.2	2.2	0.8	5.6

Source: "Livestock, Dairy, and Poultry Outlook," LDP-M-113, November 18, 2003, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, OCTOBER

HIGHLIGHTS: Handler reports of receipts and utilization under the Federal milk order system for October have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During October, about 7.1 billion pounds of milk were received from producers. This volume of milk is 29.6 percent lower than the October 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -4.3 percent.) About 4.0 billion pounds of producer milk were used in Class I products, 0.8 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilization percentages were; Class I = 57%, Class II = 16%, Class III = 16%, and Class IV = 11%. The weighted average statistical uniform price was \$14.81 per cwt., \$0.35 higher than last month, and \$3.10 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF OCTOBER 2003										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,922.8	-2.6	955.3	-0.2	50	20	26	4	15.21
Appalachian (Charlotte)	005	527.0	2.3	389.5	-0.3	74	15	5	6	16.09
Southeast (Atlanta)	007	594.5	-1.6	400.4	-4.9	67	9	16	8	16.07
Florida (Tampa)	006	214.1	6.1	193.4	4.4	90	8	<u>4/</u>	2	17.67
Mideast (Cleveland)	033 <u>3/</u>	1,080.2	-26.5	585.8	-0.8	54	21	20	5	14.25
Upper Midwest (Chicago)	030 <u>3/</u>	657.4	-58.2	363.2	-2.0	55	17	5	23	13.51
Central (Kansas City)	032 <u>3/</u>	781.6	-51.8	419.0	-3.5	54	17	22	7	14.23
Southwest (Dallas)	126 <u>3/</u>	557.7	-29.7	366.7	1.3	66	17	1	16	14.89
Arizona-Las Vegas (Phoenix)	131	234.6	-2.4	86.0	0.2	37	8	39	16	14.31
Western (Salt Lake City)	135 <u>3/</u>	174.7	-62.8	100.5	6.4	57	18	2	23	13.76
Pacific Northwest (Seattle)	124 <u>3/</u>	376.9	-42.7	187.8	-0.5	50	8	1	41	13.05
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	7,121.6	-29.6	4,047.7	-0.8	57	16	16	11	14.81

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 2.9 billion pounds of milk that normally would have been associated with these markets. In October 2002, the estimated not-pooled volume of milk was 320 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is -4.3.

4/ Less than 0.5 percent.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF NOVEMBER 17 - 21, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 11/14/03	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	831,600	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	831,600	-0-	-0-
NONFAT DRY MILK							
Nonfort	8,846,718	264,552	8,582,166	43,885,705	50,378,214	895,283,000	1,066,235,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
TOTAL	8,846,718	264,552	8,582,166	43,766,657	50,378,214	941,674,000	1,112,626,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF NOVEMBER 17 - 21, 2003 =	1.9	99.9	COMPARABLE PERIOD IN 2002 =	0.3	14.4
CUMULATIVE SINCE OCTOBER 1, 2003 =	9.6	509.4	CUMULATIVE SAME PERIOD LAST YEAR =	18.8	594.6
CUMULATIVE JAN. 1 - NOV. 21, 2003 =	701.7	6,922.2	COMPARABLE CALENDAR YEAR 2002 =	213.4	7,374.3

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF NOVEMBER 17 - 21, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	8,582,166	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	831,600	-0-	398,658	-0-	41.4
WEST	-0-	-0-	-0-	-0-	43,766,657	49,979,556	100.0	58.6
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	831,600	43,766,657	50,378,214	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 11/01/03 & Comparable Week 2002

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2003-Dairy	0.2	0.8	8.3	5.6	23.0	2.5	0.4	1.0	15.4	3.0	60.2	2,406.7
2002-Dairy	0.2	0.9	7.5	5.2	21.5	2.5	0.7	0.8	14.7	2.2	56.2	2,164.4
2003-All cows	0.2	1.1	11.1	13.5	35.7	19.6	19.4	3.7	18.1	8.2	130.6	5,026.7
2002-All cows	0.2	1.1	10.3	13.1	33.8	16.2	19.1	3.8	18.1	9.9	125.7	4,706.1

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97	13.71	14.27	14.37	
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63	10.81	10.76	10.84		
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39		
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95	10.14	10.05	10.16		

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cis_prod_cmp_pr.htm